

- ii) Removal of restriction on the number of Euro issues which may be floated by a company or Group of Companies in a financial year;
- iii) Broadening the areas of deployment of issue proceeds;
- iv) Permitting Banks, Financial Institutions and Non-Banking Finance Companies [registered with Reserve Bank of India (RBI)] to float GDR/FCCB issues with the restriction that the issue proceeds shall not be deployed in stock markets and real estate sector.

Guidelines on policies and procedures for External Commercial Borrowings for the year 1996-97 were also announced through a separate Press Note dt. 19th June, 1996. ECB Policy seeks to keep an annual cap or ceiling on access to ECB consistent with prudent debt management. The important changes in the ECB guidelines are:

- (I) Exporters, 100% EOUs and EPCG Licence-holders are permitted to raise ECB upto US \$ 15 million equivalent or the average amount of annual exports during the previous three years, whichever is lower, for meeting project-related Rupee expenditure.
- (II) Infrastructure projects in the Power, Telecommunications and Railway Sectors, have been permitted to utilise the ECB proceeds for Project-related rupee expenditure.
- (III) The limit under the existing US \$ 1 million Scheme, under which ECB can be utilised for Rupee expenditure, has been enhanced to US \$ 3 million.
- (IV) The corporates engaged in infrastructure projects in telecommunications and oil exploration and development (excluding refining), have been permitted to raise ECB at a minimum average maturity of five years.
- (V) In respect of infrastructure and greenfield projects, the access to ECB has been limited to 35% of the total project cost as appraised a recognised Financial Institution/Bank; however, greater flexibility shall be allowed to power projects.

(c) and (d). The launch of GDR/FCCB issues, related expenditure abroad, repatriation of issue proceeds into the country, etc., are subject to the approval mechanism of RBI under the provisions of Foreign Exchange Regulation Act (FERA) 1973. The companies raising GDB/FCCB issues are required to report to the RBI and the Government, on a quarterly basis, details on deployment of issue proceeds till they are finally expended on the approved purposes. Monitoring of ECBs availed by Indian Companies is done by Central Office of the RBI in association with its Regional offices.

Credit/Deposit Ratio of Banks

2024. DR. T. SUBBARAMI REDDY : Will the Minister of FINANCE be pleased to state:

(a) whether the growth rate of deposits and credits of commercial banks has declined considerably during the financial year, 1995-96;

(b) if so, the extent thereof and the main reasons therefor; and

(c) the steps proposed to be taken to remedy the situation?

THE MINISTER OF FINANCE AND MINISTER OF COMPANY AFFAIRS (SHRI P. CHIDAMBARAM) : (a) to (c). Reserve Bank of India (RBI) have reported that during the year 1995-96 (31st March 1995 to 29th March 1996) there was decline in the rate of growth of both aggregate deposits and bank credit as compared with the previous year. While the growth of aggregate deposits of scheduled commercial banks decelerated from 22.8 per cent (Rs.71,726 crore) to 11.8 per cent (Rs.45,486 crore), the growth of bank credit declined from 28.7 per cent (Rs.47,143 crore) to 19.2 per cent (Rs.40,540 crore).

RBI have further reported that growth rates of the banking variables are however not strictly comparable as between 1994-95 and 1995-96. Firstly, there were 27 reporting fortnights in 1994-95 as against the usual 26 fortnights. Secondly, the last reporting Friday for 1994-95 coincided with March 31 and as such the year-end bulge was reflected in the banking data for 1994-95. The unduly inflated base of 1994-95 therefore got reflected in lower order for growth rates in 1995-96 than would have been the case otherwise.

Continuing the process of interest rate deregulation and with a view to augmenting the resources of the banking system, the RBI has taken a series of policy measures since the second half of the year 1995-96. Cash Reserve Ratio (CRR) was reduced in phases from 15 per cent of Net Domestic Demand and Time Liabilities (NDTL) to 12 per cent between November 11, 1995 to July 6, 1996. These measures have injected liquidity into the system which stimulates deposit growth as well. Other policy measures recently announced by Reserve Bank of India include shortening of minimum maturity from 46 days to 30 days and allowing banks freedom to determine deposits rates for maturity above one year, which is expected to have a favourable impact on deposit growth.

Effect of W.T.O. Agreement

2025. DR. LAXMINARAYAN PANDEY: Will the Minister of COMMERCE be pleased to state:

(a) whether the attention of the Government has been drawn to the news-item appeared in the 'Statesmen' dated March 28, 1996 captioned

"Government's handling of GATT negotiations criticised" about a study undertaken by the National Working Group of eminent jurists:

(b) if so, whether the said study has been made on the direct and inevitable effect of the GATT/World Trade Organisation dispensation affecting the right to livelihood, the rights of farmers, the right to health and cheap medicine and also of economic sovereignty loss and threat to federalism in the set up of Indian administration; and

(c) if so, the reaction of the Government on each aspect and the recommendations?

THE MINISTER OF STATE OF THE MINISTRY OF COMMERCE (SHRI BOLLA BULLI RAMAIAH) : (a) Yes, Sir.

(b) In the study referred to in the question, opinions have been expressed by the authors about the likely socio-economic implications of the Agreements reached under the Uruguay Round of Multilateral Trade Negotiations under the GATT. These include:

- (i) the Final Act intrudes extensively in every aspect of the domestic economy;
- (ii) the Government of India lacked the support of the rest of the developing world;
- (iii) the new imperative of globalisation at all costs has been invoked to make the signing of the Final Act a virtual fait accompli. Yet even after signing the Final Act, India still remains isolated and is the only major industrial power which will not be part of any regional bloc, in the aftermath of the Uruguay Round;
- (iv) the adverse effects on domestic agriculture and the pharmaceutical industry are inescapable; and
- (v) the Union Parliament and the State legislatures have been ousted of their legislative sovereignty.

(c) India was a Contracting Party to GATT 1947, and after taking into consideration all aspects of the Uruguay Round Agreements and after consultations with State Governments and extensive public debate on various facets of the Dunkel Proposals leading upto the Final Act, India ratified the Agreement Establishing the World Trade Organisation (WTO) alongwith the multilateral Trade Agreements prior to the date of entry into force of the WTO Agreement to become a founder member of the WTO. The acceptance of the Uruguay Round Agreement does not involve surrender of sovereignty.

Membership of the WTO would ensure that India's external trade takes place in the context of a rule based multilateral trading system which provides for stability, predictability and non-discrimination in international trade. India expects to be able to expand its exports of goods and services substantially under this system.

Given the short period of operation of the WTO, it is difficult to assess how well the rules of the system will protect India's particular trading interests, and will depend upon how effective the enforcement of those rules will be in practice. In evaluating for India the balance of benefits and costs of this global trading system, it is also important to bear in mind that all the factors which had limited the realisation of India's trade potential have not been removed with the single stroke of the establishment of the WTO, and that the outcome of negotiations of global trading rules in future will depend, inter alia, upon India's leverage in multilateral negotiations. In forging international or multilateral trade agreements, the interests of India's agriculture, leading sectors of industry and our genetic resources would continue to be protected.

Assistance to States By SIDBI

2026. SHRI SARAT PATTANAYAK : Will the Minister of FINANCE be pleased to state:

(a) the amount of assistance provided by Small Industries Development Bank of India during each of the last three years, State-wise;

(b) whether the Government propose to widen its capital base; and

(c) if so, the details thereof ?

THE MINISTER OF FINANCE AND MINISTER OF COMPANY AFFAIRS (SHRI P. CHIDAMABRAM) : (a) As per information provided by the Small Industries Development Bank of India (SIDBI), the assistance disbursed during 1993-94, 1994-95 and 1995-96 State-wise is given in the attached statement.

(b) No such proposal is under consideration of Government at present.

(c) Does not arise.

STATEMENT

*Small Industries Development Bank of India
State/Union-Territory Wise Assistance*

Rs. Crore				
Disbursements under all schemes				
	1993-94	1994-95	1995-96	
1	2	3	4	
EASTERN REGION				
Bihar	9.34	17.22	51.95	
Orissa	29.31	29.40	53.35	
Sikkim	0.39	0.44	1.86	
West Bengal	85.47	100.42	157.84	
Andaman & Nicobar Islands	0.08	0.08	0.00	
Total	121.59	147.56	265.00	